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C O N F I D E N T I A L RANGOON 001337

SIPDIS

BEIJING PASS CHENGDU  
BANGKOK FOR US CUSTOMS SERVICE  
STATE FOR EAP/BCLTV, EB  
COMMERCE FOR ITA JEAN KELLY  
TREASURY FOR OASIA JEFF NEIL  
USPACOM FOR FPA

E.O. 12958: DECL: 10/22/2013

TAGS: ETRD ECON BM

SUBJECT: BURMA SANCTIONS: IF YOU CAN'T BEAT 'EM, CHEAT

REF: RANGOON 1184 (NOTAL)

Classified By: CDA a.i. Ron McMullen For Reasons 1.5 (B,D)

**¶11.** (C) We've been hearing tales of cheating to circumvent new U.S. economic sanctions, particularly the ban on importing Burmese products into the United States. Though we don't have a sense yet of the volume of this malfeasance, it's becoming clearer that some exporters of garments and seafood, unwilling to give up easily, are relabeling their products or transshipping them through regional countries to the United States. This is not at all surprising, as the garment industry in particular, which relied almost exclusively on the U.S. market, has been hit very hard by the new sanctions. Though most Burmese seafood goes to Asia and Europe, some exporters relied on U.S. sales. In CY 2002, \$27 million worth of Burmese seafood was imported into the United States. In CY 2003, \$19 million worth had already arrived in the United States when the sanctions took effect in late August.

**¶12.** (C) Businesspeople with whom we spoke provided second-hand accounts of local garment manufacturers keeping a fraction of their workforce in place, sewing "Made in" China, Korea, or Taiwan labels on garments destined for the United States. Corroborating this, we've noticed that private shops around Rangoon selling "seconds" from local garment factories have started stocking a peculiar number of items labeled "Made in Korea." As most garments manufactured in Burma are non-quota items, it seems strange to relabel locally made products except to evade an embargo. U.S. Embassy officials have also unexpectedly been denied access to both Burmese and Korean-operated garment factories in recent weeks.

**¶13.** (C) On the seafood side, a longtime expatriate seafood exporter, who sells exclusively to Europe, told us in confidence that many of his less scrupulous colleagues were sending their shrimp and fish to Malaysia or Indonesia for relabeling and onward shipment to the United States. Separately, econoff surreptitiously overheard two boozy local businessmen involved in seafood exporting talking about the extra expense and difficulties of getting their product to the United States using a third country.

McMullen